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7. In order to evaluate the nature of the management contracts under dispute, on February 12, 1985, the Bureau requested Motorola to submit copies of all executed or proposed management contracts with Comven, Inc., Port Services Company and Mt. Tamalpais Communications. On February 26 Motorola submitted executed contracts concerning the management of eleven 800 MHz trunked SMR systems licensed to Comven, Inc. One management contract, covering seven systems, was dated January 4, 1984. The remaining four contracts were dated December 5, 1984. Motorola also furnished an unexecuted copy of its standard management contract which it had offered to Port Services Company. Motorola stated that negotiations with Port Services had broken off and no agreement was entered into. In addition, Motorola provided the undated SMR Asset Purchase and Site Lease Agreements which were executed with Mt. Tamalpais Communications on March 6, 1984. Motorola also provided its generic SMR Asset Purchase Agreement which includes provisions for Motorola to manage an SMR system until the Commission has approved the assignment of the license. Finally, Motorola submitted its revised SMR Mobile Radio User Agreement which it has been using since June 1984. The end-user agreement identifies Motorola as either the owner/licensee or manager of the system.

8. The terms of the executed management contracts with Comven are substantially the same as the standard contract offered to Port Services Company. The terms reflect that the licensee will provide the central controller and repeaters for the system, i.e., the necessary radio equipment. The services provided by Motorola under contract are installation, including antennas and cables; testing of equipment; payment of antenna site charges; maintenance; marketing, promotion and sales; customer billings and collections; and updates to systems software. Any costs or additional equipment and supplies associated with these services or the operation of the SMR system are to be paid for or provided by Motorola. As compensation for these services Motorola receives 70 percent of the monthly gross collections received from end-user customers of the systems.

5/ The contracts are effective for ten years and are renewable at Motorola's sole option for an additional five years. Any default or breach of the management agreement which is not remedied within 30 days is grounds for termination by either party.

5/ The management contract for Comven, Inc.'s 10 channel SMR station KNDB-962 located at Monument Peak, California provides that Motorola will receive 65 percent of the gross receipts.

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9. In addition to the above services provided by Motorola, provisions which were not included in the January 4 management contract were added to the December 5 contracts. These provisions require Motorola to notify all end-users that Comven, Inc., is the system licensee and that service is being offered under a management contract with Motorola serving as the agent for Comven, Inc. Motorola is also required to ensure Comven can access the system's central controller.

10. The generic Asset Purchase Agreement, which Motorola states it uses when it wishes to acquire an existing SMR system through assignment, contains a provision incorporating a contemporaneous management contract wherein Motorola manages the purchased system pending Commission approval of an assignment application in return for 100 percent of the revenues. Although the Asset Purchase Agreement entered into by Motorola and Mt. Tamalpais Communications did not contain such a provision, their Site Lease Agreement provided, in paragraph 20, that if Commission approval had not been obtained by the time the agreement was executed, Motorola would operate the system under Mt. Tamalpais' license until the assignment was granted by the Commission. In addition, Motorola stated that after the assignment application was withdrawn on May 4, 1984, Motorola and Mt. Tamalpais orally agreed that Motorola would manage the system in return for 100 percent of the revenues.

11. On April 24, 1985, the Bureau requested Motorola to provide additional information. Motorola was asked to describe in detail the nature and extent of Comven's responsibilities as a licensee with respect to each of the management contracts previously submitted. The letter also requested Motorola to provide the basis for its view that these agreements did not constitute transfers of control or violations of Rule 90.627(b). Motorola responded on May 15, 1985. It pointed out that the agreements with Comven provided that Motorola would perform all its managerial services under the supervision and pursuant to the instructions of Comven. Motorola further noted that Comven continues to be the licensee of the system and is the entity responsible to the Commission for the operation of the system and compliance with Commission rules. Motorola further pointed to the additions to the December 5, 1984 agreements providing it would notify all users that Comven was the system licensee, requiring it to provide Comven with the information necessary to access the systems' central controllers, and mandating the involvement of Comven in establishing the price schedule and any modifications thereto.

12. With respect to the question of transfer of control, Motorola asserted that its management contracts with Comven were consistent with the Commission's policy. Thus, it stated that Motorola had no ability or right to determine Comven's policies or operations, or to dominate its corporate affairs, since it managed the system under the supervision and in accordance with the instructions of Comven under agreements which covered day-to-day management activities. Motorola further set forth that it held no stock in Comven and was not a major creditor of Comven.

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13. On April 29, 1985, the Bureau addressed questions to Comven. The questions concerned the officers, directors, shareholders and employees of Comven, the purchase price and financing arrangements for the central controllers and repeaters for the Comven systems managed by Motorola and the duties performed by Comven to exercise control of its systems. Comven responded on May 22, 1985. It also submitted additional information, orally requested by the Bureau, on June 4, 1985. The responses revealed that Comven is a publicly held corporation with over 150 shareholders. The two major owners are James E. Treach and David I. Jellum, who each own 28.5% of the company and are the Chief Executive Officer and President, respectively. Comven has 31 employees variously located in Phoenix, San Diego, Dallas and South Gate, California. Eight of them, including Jellum and Treach, have previously been employed by Motorola. Comven stated that it owned the central controllers and repeaters on its systems managed by Motorola, that they were purchased for various prices between \$36,000 and \$38,541 and that all the purchases were financed by Associates Capital Services Corporation, a subsidiary of Associates Corporation of North America. Finally, Comven set out the specific aspects of its agreements with Motorola which it contends allows it to maintain regular oversight of Motorola's activities. According to Comven, the following are among those factors: (1) ownership of the central controller and repeaters; (2) access to the central controller which allows it to prevent operation on the system; (3) receipt of copies of end user contracts, monthly computer analyses of billing generated and copies of work tickets for service and maintenance on the system; (4) the assignment of Marcia Jellum to full-time responsibility for overseeing the management of the systems.

Discussion

14. Section 310(d) of the Communications Act, 47 U.S.C. Section 310(d), provides that no station license can be transferred, assigned, or disposed of in any manner either directly or by transfer of control of a corporation holding the license without the prior approval of the Commission. This requirement is implemented in the Private Radio Services by Rule 90.153. The Act contemplates every form of control, actual or legal, direct or indirect, negative or affirmative, so that actual control may exist by virtue of special circumstances although there is no legal control in the formal sense. Lorain Journal Company v. FCC, 351 F.2d 824 (D.C. Cir. 1965), cert. denied, 383 U.S. 967 (1966). See also, Rochester Telephone Corp. v. U.S., 23 F. Supp. 634 (W.D.N.Y. 1938), aff'd 307 U.S. 125 (1939). In determining whether a transfer of control has occurred within the meaning of the Act, the Commission looks beyond mere title or legal control and considers the totality of the circumstances to ascertain where actual control lies. Stereo Broadcasters, Inc., 87 FCC 2d 87 (1981); George E. Cameron, Jr. Communications, 91 FCC 2d 870 (Rev. Bd. 1982).

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15. The Commission has recognized that with the diversity of fact patterns which can arise in the business world, no precise formula for evaluating questions of transfer of control can be set forth. News International, PLC, 97 FCC 2d 349 (1984). However, it has said that "[g]enerally the principle indicia of control examined to determine whether an unauthorized transfer of control has occurred are control of policies regarding (a) the finances of the station; (b) personnel matters and (c) programming." S.W. Texas Public Broadcasting Council, 85 FCC 2d 713, 715 (1981).

16. The issues in this case are (1) whether Motorola's management contracts with Comven places Motorola in control of these Comven systems without the requisite authorization of assignment from the Commission and (2) if such an unauthorized assignment has occurred, whether there has also been a violation of the 40 mile rule with respect to Motorola's systems. Although there are numerous cases involving transfers of control in the broadcast area, this is a case of first impression in the private radio area. Obviously, the question of programming does not arise in a radio service which serves as a conduit for the communications of other parties. Since the Commission has different interests with respect to the broadcast services than it does for private radio, a different standard from that enunciated above may be appropriate. In this regard, the Commission has recognized that broadcast licensees have a responsibility for the content of the information which they disseminate that radio services which serve as mere conduits or transmission links do not. Cablecom General, Inc., 87 FCC 2d 784 (1981).

17. The Commission has dealt with the issue of licensee control of a radio system in the Private Radio Services when discussing multiple licensed and cooperative use radio systems. 6/ In Multiple Licensing - Safety and Special Radio Services, Docket No. 18921, 24 FCC 2d 510, 519 (1970), the Commission said that the licensee should have a proprietary interest, as an owner or lessee, in its system's equipment which would not be taken over by third parties that it hired to dispatch. This would give the licensee the ability to exercise the degree of control of its system which was consistent with its status as a licensee and the regulation of the private radio service. In subsequent decisions, the Commission did not alter this basic test for determining licensee control of a system. 7/

6/ See Rules 90.185 and 90.179, respectively.

7/ For a complete history of these proceedings see, Tentative Decision and Further Inquiry and Notice of Proposed Rule Making, FCC 81-263, 46 Fed. Reg. 32038 (June 19, 1981); Report and Order, Docket No. 18921, 89 FCC 2d 766 (1982) and Memorandum Opinion and Order on Reconsideration, Docket No. 18921, 93 FCC 2d 1127 (1983).

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Finally, the Commission concluded that the determining factor concerning licensee control of a system is "that the licensee in fact exercises the supervision the system requires." Memorandum Opinion and Order on Reconsideration, supra n. 6, at 1133.

18. These standards are useful when examining the question of licensee control and management contracts for SMR systems. With respect to cooperative radio systems, the Commission has said that it will "allow licensees to contract with third parties to serve as the licensees' agents and handle day-to-day operations of their systems." John S. Landes, 77 FCC 2d 287, 291 (1980). In the broadcast services, the Commission has held that it is concerned with "the basic policies and ultimate control of the station. Day-to-day operation by an agent or employee, guided by policies set by the licensee are not inconsistent with [Section 310(d) of] the Act." S.W. Texas Public Broadcasting Council, supra, at 715 and n.2. In National Association of Regulatory Utility Commissioners v. FCC, 525 FCC 2d 630 (D.C. Cir 1976), which affirmed, inter alia, the Commission's authority to create and regulate private carrier systems, such as the ones at issue here, the court acknowledged the Commission's broad discretion to experiment with new regulatory approaches for the purpose of encouraging and maximizing the use of this new radio spectrum. The Commission began licensing SMR systems in 1978 but it took some time for the SMRS business to become well established. More recently we have witnessed an explosive growth in the SMR industry. Entrepreneurs have invested in SMR systems in all major cities throughout the country. As the SMR industry has matured, licensees have inevitably sought to avail themselves of a variety of methods to operate and manage their systems. In this dynamic and developing marketplace we wish to allow maximum flexibility to these entrepreneurs, consistent with the regulatory restraints imposed by the Communications Act. We also wish to assure licensees may employ a variety of options so that they may provide an efficient and effective communications service to the public as quickly as possible. In light of these public policy objectives, and as a general proposition, we see no reason why SMR licensees should be precluded from hiring third parties to manage their systems provided that the licensees retain a proprietary interest, either as owner or lessee, in the system's equipment and exercise the supervision the system requires.

19. Turning to the specifics of the Motorola management contracts with Conven, the Bureau finds that an unauthorized transfer of control has not occurred. Conven owns both the repeaters and the central controller for each system. The financing is with a finance company which is independent from Motorola. Additionally, there is no evidence that Motorola sells any equipment to Conven for a reduced price in return for managing the system. Petitioners have not presented any facts which distinguish Conven's purchase of Motorola equipment from any other SMR licensee purchasing equipment from

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Motorola. B/ Further, the contracts provide that Motorola must perform its functions pursuant to the supervision and instructions of Comven. Should this fail to occur Comven can terminate the agreement and exercise full responsibility over all matters involving the operation of the systems. See S.W. Texas Public Broadcasting Council, supra, at 716.

20. Since Comven owns the systems and exercises appropriate supervisory control over them, we are not concerned with the division of gross revenues for management services. As long as a licensee maintains the requisite degree of control necessary and consistent with its status as a licensee, we will not question its business judgment concerning the agreements into which it enters.

21. While we have concluded that Motorola's management agreements with Comven did not result in an unauthorized transfer of control, we cannot reach the same conclusion with respect to its involvement with Station WRG-816, licensed to Mt. Tamapais Communications. Motorola has stated that pursuant to a site rental agreement in which it paid Mt. Tamapais a monthly fee, Mt. Tamapais transferred authority to maintain and operate its system to Motorola on April 1, 1984. On that date, the end-user agreements were transferred from Mt. Tamapais' name to Motorola, Motorola began operating the system, billing the users and receiving 100 percent of the revenues generated by the system. Motorola itself has characterized this situation as a "de facto transfer of control."

22. Motorola argues that this unauthorized transfer of control occurred because no management agreement was entered into. However, the standard management contract submitted by Motorola, which it states it uses in situations where it is acquiring a system, provides for essentially the same terms as the oral agreement it had with Mt. Tamapais, including Motorola's receipt of 100 percent of the proceeds. We fail to see how reducing such an agreement to writing removes it from the category of unauthorized transfer of control. With respect to management contracts executed in connection with the assignment of an SMR system, as the Commission stated in Stereo Broadcasters, Inc., supra, at 94, "when a prospective purchaser exercises management authority, premature transfer of control may result." It is clear that Mt. Tamapais' April 1 transfer of its proprietary interest in and control of WRG-816 to Motorola for a monthly rental fee constituted an unauthorized transfer of control.

B/ While petitioners have intimated that such may be the case, they have presented no evidence to that effect.

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23. In Stereo Broadcasters, Inc., *supra*, the Commission denied a renewal application where it found that the parties had conducted a continuing effort to conceal an unauthorized transfer of control from the Commission. However, in Deer Lodge Broadcasting, Inc., 86 FCC 2d 1066 (1981), where the Commission determined that there was no intent to violate the Act or rules and no attempt to conceal the transfer, the Commission concluded that a forfeiture and short term renewal were appropriate. The facts in this case do not indicate that Motorola or Mt. Tamapais entered into their agreement with an intention to violate the Act or Rules. A management contract in the Specialized Mobile Radio Service is a new development in the SMR community. As a result, licensees had few guidelines upon which to base their transaction. Moreover, Motorola has provided complete details concerning its relationship with Mt. Tamapais and has admitted the impropriety of its conduct. Thus, while approval of Motorola's belated request for assignment of WRG-816 is inappropriate, we conclude, consistent with Deer Lodge, that the ultimate sanction of denial of Mt. Tamapais' pending renewal application is not warranted.

24. Accordingly, Motorola's application for the assignment of station WRG-816 will be dismissed. Mt. Tamapais' renewal application for WRG-816 will be renewed for only a one year term. Finally, Mt. Tamapais' eligibility as a waiting list applicant for additional frequencies for WRG-816 terminated on April 1, 1984, the date Mt. Tamapais transferred control of the station to Motorola. Therefore, Mt. Tamapais' waiting list application is dismissed.

Conclusion

25. The Bureau has determined that it is permissible for licensees to hire entities to manage their SMR systems, provided that licensees do not contract away their control of the system. At a minimum, this means that a licensee must have a bona fide proprietary interest and that it exercise the supervision over the system that it requires consistent with its status as licensee. Based on this standard we have found that the management contracts executed between Motorola and Comven were proper. However, we also find that Motorola assumed de facto control of WRG-816, licensed to Mt. Tamapais, Inc., without Commission approval. In spite of the guidelines provided in this order, we note that, as the Commission has reiterated many times, the question of whether a transfer of control has occurred can only be determined after an evaluation of the facts in each case. Therefore, in doubtful and borderline cases, doubt should be resolved by bringing the complete facts of the proposed transaction to the Commission's attention for a ruling in advance of any consummation of the transaction. NWIZ, Inc., 36 FCC 561, 578 (1964), recon. denied 37 FCC 685, aff'd sub nom. Lorain Journal Company v. FCC, 351 F.2d 824 (D.C. Cir. 1965), cert. denied, 383 U.S. 967 (1966).

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26. Accordingly, the Atcomm and Big Rock Petitions to Dismiss filed against the Motorola applications for SMR systems located in California at Mt. Diablo, McKittrick, Montrose, Corona, Escondido, San Diego and Grass Valley are DENIED; 9/ the Atcomm and Big Rock Petition for Reconsideration of the Bureau's denial of their Petition to Dismiss Motorola applications for SMR systems in Hamilton and West Orange, New Jersey; Huntington, New York; Towson, Maryland and Bull Run, Virginia is DENIED and the Atcomm and Big Rock Petition to Dismiss the assignment application of Motorola is GRANTED. Therefore, Motorola's assignment application for SMR system WRG-816 licensed to Mt. Tamapais Communications is DISMISSED, Mt. Tamapais' waiting list application for additional frequencies is DISMISSED and Mt. Tamapais' renewal application will be granted for a one year term.



Robert S. Foosner
Chief, Private Radio Bureau

9/ Of the applications listed, only the one for San Diego was selected in the lottery. It was granted conditionally pending the outcome of this proceeding.

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APPENDIX

1. Petition to Dismiss Motorola's Mt. Diablo Application, filed October 1, 1984, by Big Rock and Atcomm.
2. Comments filed October 15, 1984, by Paging Network of San Francisco.
3. Opposition to Petition to Dismiss the Mt. Diablo Application, filed October 23, 1984, by Motorola.
4. Comments filed October 26, 1984, by Port Services Company.
5. Reply to Opposition to Petition to Dismiss Mt. Diablo Applications, filed November 14, 1984, by Big Rock and Atcomm.
6. Conditional withdrawal of Mt. Diablo application proposed by Motorola on November 20, 1984.
7. Joint Petition to Dismiss all Motorola California Applications, filed November 29, 1984, by Big Rock and Atcomm.
8. Reply to conditional withdrawal proposal filed on November 30, 1984.
9. Comments filed December 6, 1984, by Paging Network, Inc. concerning California applications.
10. Joint Petition to Dismiss Motorola Applications in NY, NJ, MD and VA, filed December 7, 1984, by Big Rock and Atcomm.
11. Comments filed December 11, 1984, by Paging Network, Inc. concerning Motorola's NY, NJ, MD, VA applications.
12. Combined Opposition to Joint Petitions to Dismiss all Motorola applications, filed December 14, 1984, by Motorola.
13. Bureau letter dated December 19, 1984, dismissing Big Rock and Atcomm's Petitions to Dismiss Motorola's NY, NJ, MD and VA applications.
14. Joint Petition to Dismiss Motorola's Assignment Application for Mt. Tamalpais, filed December 27, 1984, by Big Rock and Atcomm.
15. Comments filed January 14, 1985, by Paging Network, Inc.
16. Reply to Motorola's Combined Opposition to Joint Petitions to Dismiss, filed January 14, 1985, by Big Rock and Atcomm.

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17. Joint Petition for Reconsideration of dismissal of Petition to Dismiss Motorola's NY, NJ, MD and VA applications, filed January 18, 1985, by Big Rock and Atcomm.
18. Opposition to Joint Petition to Dismiss Assignment Application, filed January 22, 1985, by Motorola.
19. Reply to Opposition to Joint Petition to Dismiss Assignment Application, filed January 30, 1985, by Big Rock and Atcomm.
20. Opposition to Joint Petition for Reconsideration, filed by Motorola on January 31, 1985.
21. Bureau's February 12, 1985, request to Motorola for information concerning management contracts.
22. Motorola's February 26, 1985, reply to the Bureau's February 12 request for information.
23. Big Rock and Atcomm's March 13, 1985, letter concerning Motorola's response to the Bureau's request for information.
24. Bureau's April 24, 1985, request to Motorola for additional information concerning management agreements.
25. Bureau's April 29, 1985, request for information from Comven.
26. Motorola's May 15, 1985, response to the Bureau's April 24 request for additional information.
27. Comven's May 22 and June 4, 1985, replies to the Bureau's April 29 request for information.
28. Big Rock and Atcomm's July 1, 1985, reply to the information furnished by Comven and Motorola.


CERTIFICATE OF SERVICE

I, Sheila Foster, a secretary in the Enforcement and Consumer Information Division, Wireless Telecommunications Bureau, certify that I have, on this 21st day of October, 1997, sent by first-class mail, copies of the foregoing "Wireless Telecommunications Bureau's Reply to Proposed Findings of Fact and Conclusions of Law" to:

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